

STATEMENT OF PURPOSE

RS23910

This proposal will remove sales tax from groceries, increase transportation funding, and reduce the individual income tax rates. To increase transportation funding, the proposal will raise the motor fuel tax (gasoline and diesel) by seven cents per gallon. The seven-cent increase is distributed 60% to the state highway account and 40% to the highway distribution account. Also, \$5 million will be distributed one time from the state refund account, with \$3 million going to the state highway account and \$2 million going to the highway distribution account.

The proposal will move toward a flat tax by consolidating the upper tax brackets and reducing them to a rate of 6.7%. Those taxpayers who fall in the lower income tax brackets will continue to pay at their current rate. Taxpayers with taxable incomes of \$5,861 or higher, as adjusted for inflation, will have all income taxed at the 6.7% rate.

The revenue sharing to counties and cities from sales tax is modified to establish a floor to protect local governments who receive revenue sharing dollars from the state.

The proposal repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP). To offset the reduction in General Fund revenue, the proposal will repeal the Food Tax Credit.

FISCAL NOTE

The revenue lost in FY16 from not taxing food is estimated to be \$115 million. The revenue gained in FY16 by removing the food tax credit is estimated to be \$141.5 million.

Adjusting the individual income tax brackets as described in the bill reduces the revenue collected by \$2.1 million or less. In FY16 the obligation to distribute at least the same amount of money to the jurisdictions that receive revenue sharing is estimated to be \$9.4 million or less.

The motor fuel tax generated by this bill increases revenue to the Idaho Transportation Department and local jurisdictions by \$42.5 million in FY16 and approximately \$65 million in each year thereafter.

There is a one-time \$5 million transfer from the state refund account, with \$3 million going to the state highway account and \$2 million going to the highway distribution account.

This legislation results in a total \$15 million positive impact to the General Fund in FY16.

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